

make photostatic or other copies of any books, records and other relevant documents or papers being examined or audited. Adequate office space and other facilities reasonably required by any representatives of the Secretary engaged in an examination, audit or inspection shall be furnished without charge by the Person in control of the premises where the examination or audit is being conducted.

§ 298.38 Partnership agreements.

Partnership agreements shall be in form and substance satisfactory to the Secretary prior to any Guarantee closing, especially relating, but not limited to, four basis areas:

- (a) Duration of the partnership,
- (b) adequate partnership funding requirements and mechanisms,
- (c) dissolution of the partnership and the withdrawal of a general partner and
- (d) the termination, amendment, or other modification of the partnership agreement without the prior written consent of the Secretary.

§ 298.39 Exemptions.

The Secretary may exempt an applicant from any requirement of this Part not required by law, in exceptional cases, on written findings that:

- (a) The case materially involves factors not considered in the promulgation of this part;
- (b)(1) a national emergency makes it necessary to approve the exemption or
- (2) the financial liability of the United States will be substantially relieved;
- (c) the exemption will not substantially affect effective regulation of the Title XI program, consistent with the objectives of this part; and
- (d) exemption will not be unjustly discriminatory. In the case of Eligible Export Vessels, the Secretary may also exempt an applicant from any requirement of this part not required by law if the Secretary makes a written determination that such exemption would assist in creating financing terms that would be compatible with export credit terms for the sale of vessels built in shipyards other than those in the United States.

Subpart E—Defaults and Remedies, Reporting Requirements, Applicability of Regulations

§ 298.40 Defaults.

(a) *In General.* Provisions concerning the existence and declaration of a default and demand for payment of the Obligations (described in paragraphs (b) and (c) of this section) shall be included in the Security Agreement and in other parts of the Documentation.

(b) *Payment Default.* In the case of any default in the payment of principal or interest with respect to the Obligations (provided that the Secretary shall not have, upon such terms as may be provided in the Obligation or related agreements, prior to that demand, assumed the obligor's rights and duties under the Obligation and agreements and shall have made any payments in default), the following procedures shall be applicable:

(1) No demand shall be made for payment under the Guarantees unless the default shall have continued for 30 days (Payment Default).

(2) After the expiration of said 30-day period, demand for payment of all amounts due under the Guarantees must be made no later than 60 days thereafter.

(3) After demand for payment is made by or on behalf of the Obligees, the Secretary shall make payment under the Guarantees, except if the Secretary determines that a Payment Default has not occurred or that such Payment Default has been remedied prior to demand being made.

(c) *Security Default.* If a default occurs under the Security Agreement which is other than a Payment Default (Security Default), the Secretary, as provided in section 1105(b) of the Act, shall have the sole discretion to declare such default a Security Default and may notify the Obligor or agent of the Obligor of such Security Default, stating that demand for payment under the Guarantees must be made no later than 60 days after the date of such notification.

(d) *Payment of Guarantees.* If demand for payment of the Guarantees is made, the Secretary shall, no later than 30 days after the date of such demand